



STATE OF WASHINGTON

## OFFICE OF FINANCIAL MANAGEMENT

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April 11, 2002

**TO:** Agency Budget Officers  
All Agencies

**FROM:** Kay Baxstrom  
Staff Coordinator

**SUBJECT: SUPPLEMENTAL BUDGET AND SECOND YEAR ALLOTMENT  
UPDATE**

Now that the Governor has signed the supplemental budget bills for operating and transportation budgets and the appropriation schedules have been updated, agencies need to complete their supplemental allotments. For several reasons, these allotment updates play a more significant role than usual in the budget management process and we ask that you follow instructions carefully.

For the operating budget, in addition to the regular supplemental changes made directly in agency budgets, the appropriation bill contains a number of other changes that affect agency budget levels. These changes will be put into effect through the allotment process. In addition, cash requires more careful management when cash balances are relatively low; your cash allotments need to reflect your best cash projections so that estimates on a statewide basis are reasonably accurate.

### Allotment Reduction Allocations

Reductions in revolving fund charges, equipment, travel, and pension contributions were made in sections 706, 707, 708 and 713 of the supplemental operating budget bill (ESSB 6387). These sections require allotment reductions that total to specific amounts. The reduction amounts required for your agency are shown in the Excel file attachment that accompanies this memo. Instructions for allotting the reduction allocations are provided in Appendix I. An explanation of how these amounts were spread by agency is provided in Appendix II. The reduction allocations were calculated in accordance with the requirements in the proviso language and total the required reduction amounts.

### Allotment Submittal Dates and Technical Requirements

Supplemental allotments are due to OFM no later than Friday, May 24. This should allow sufficient time for your OFM analyst to review your allotment packet(s) and have you make any necessary corrections before the May fiscal month close on June 14. Agencies may not expend funds without allotment approval; if you need to expend supplemental appropriations in April, submit your supplemental allotment by April 25.

Agencies with appropriations in the supplemental operating or transportation budget bills will be required to submit two L packets. One packet is required for the agency specific appropriation changes and another packet is required for the allocation of statewide allotment reductions (described above).

- All agencies are to submit an L packet that makes only supplemental allotment changes contained in the appropriation schedule.
- For ease of tracking reduction allocations required in the supplemental operating budget appropriation bill, use a separate, specific L packet—L900, for reduction allocations contained in the attached Excel file.
- If you need more than one L packet for reduction allocations, you may use L901 and so on in sequence.

Please ensure that the L packets are not a vehicle for other allotment expenditure changes unrelated to the supplemental appropriation bills.

### Moving General Fund Administrative Reductions From FY 2003 to FY 2002

Section 709 (1) of the supplemental operating budget bill allows agencies, with the approval of OFM, to move General Fund-State administrative, travel, equipment, and efficiency savings reductions from Fiscal Year 2003 to Fiscal Year 2002. Since equipment and travel reductions required by Sections 707 and 708 are not by year, agencies should submit allotments that reflect year splits of their choosing for these reductions. (See Appendix II for further information.)

Administrative and efficiency reductions contained in an agency's appropriations may be requested to be moved between fiscal years. Agencies must submit a request to their OFM analyst to move a specific amount of these savings from FY 2003 to FY 2002. Requests should be made either by May 14 or June 14 to allow OFM to review, concur, change the appropriation schedule and notify agencies in time for submittal of allotment revisions. OFM will make the changes to the appropriation schedule by the 17<sup>th</sup> of each month. Movement of funds between years may not exceed the FY 2003 reduction amounts. Specific allotment instructions and an updated appropriation schedule will accompany the OFM concurrence. We would like to give agencies as much flexibility as possible in determining how much of these specific reductions can be moved from FY 2003 to FY 2002. However, we cannot approve retroactive allotment changes, so any movement must be requested no later than June 14 to allow sufficient time for review, revision of the appropriation schedule, and allotment approval.

### Cash Receipts and Cash Disbursements Updates

Agencies are required to update cash receipts and cash disbursement allotments to reflect the supplemental budget changes. These cash allotment adjustments should be included with your L packets.

In addition, agencies are to submit a D packet to reflect the February revenue forecast and other changes in assumptions relating to cash. Please submit these D packets by May 24. Realistic, up-to-date cash allotments for all funds are needed to project aggregate monthly cash balances in the treasury.

On an ongoing basis, please remember to update cash receipts to keep them reasonably synchronized with the quarterly revenue forecast if applicable to your agency, and update cash disbursements whenever a significant change is projected from your current estimates.

### Second Year Allotment Changes

Second year allotment changes are submitted in an S packet. These allotment changes are optional, and should affect only Fiscal Year 2003. These packets are due no later than June 1.

### Summary

Agencies are to submit the following allotments or requests.

*Due no later than May 24, (but before spending supplemental appropriation amounts):*

1. An L packet to reflect agency specific appropriation changes and associated cash receipts and disbursement changes
2. An L900 packet to reflect the agency's share of statewide appropriation changes and associated cash receipts and disbursement changes
3. A D packet to reflect up-to-date cash estimates.

*Due no later than June 1:*

4. At the agency's discretion, an S packet to change objects of expenditure, program splits, or monthly estimates for FY 2003.

If an agency wishes to shift administrative reductions from FY 2003 to FY 2002, submit a request to the assigned OFM budget analyst by May 14 or June 14. Identify specific amounts to be shifted.

The allotment process requirements resulting from the supplemental operating appropriations bill are more complicated than normal. We appreciate the effort that these requirements take and will provide any assistance we can. Please contact your assigned budget analyst if you have questions. Thank you for your careful attention to this allotment update process.

Attachments

## Appendix I Reduction Allocation Allotment Instructions

The reduction allocations in the revised Excel spreadsheet titled “2002 Reduction Allotments” need to be placed in allotment reserve status. The allocations do not reduce your appropriation level, but were intended by the Legislature to reduce your spending authority in the allotment. Use packet number L900. This packet must contain only the reduction amounts shown in revised Excel spreadsheet and must match in total. If you need more than one packet for these allotment reduction allocations, please start with L900 and continue in sequence. The total 900 level packets must then total the amounts contained in the revised spreadsheet.

The equipment and travel reduction allocations are biennial rather than annual amounts. You may split these between fiscal years any way you wish as long as you match the biennial total. How you split these between fiscal years will not affect your carry forward level for the 2003-05 Biennium.

Technical directions for making these changes in APS and TAPS are provided below.

### **APS/TAPS Instructions for Reduction Allocations**

#### APS Agencies:

To place an amount from allotted status into reserve – use transaction code D2+.

#### TAPS Agencies (Option 1 agencies):

To place an amount from allotted status into reserve – use transaction code 706 for the appropriation index and transaction code 707 for the object of expenditure.

#### TAPS Agencies (Option 2 agencies):

To place an amount from allotted status into reserve – use transaction code 706 only.

#### Cash Disbursement Reduction

Each allotment packet must also include cash disbursement reductions

- APS agencies use a negative DC transaction code
- TAPS agencies use transaction code 906 R.

## Appendix II **Calculation of Allotment Reduction Allocations**

### Pension Contribution Reductions (Revised)

The employer contribution rates were reduced by House Bill 2782, Actuarial Experience Study. The revised Public Employees' Retirement System rate is 1.10 percent of pay; the revised Teachers' Retirement System rate is 1.05 percent. The pension model was used to determine the allocation amounts by agency.

### Equipment Reductions

The legislative statewide reduction of General Fund-State equipment funding was spread to all agencies except the House and Senate, as specified in Section 707. OFM examined several allocation methods in an attempt to be as equitable as possible within the proviso language. The reduction amount was prorated using a base of actual equipment expenditures for the 1999-01 Biennium for subobjects EQ and JC. We believe these subobjects reflect the most reasonable definition of equipment for the purpose.

### Travel Reductions

The method used to calculate and spread the travel reduction was consistent with the method used for equipment. Object G actual expenditures for the 1999-01 Biennium were used as the base and the cut prorated by agency.

### Revolving Fund Reductions

In most cases, OFM used the across-the-board agency allocations provided by legislative staff to spread each service agency's cuts. For certain General Administration and Department of Information Services functions, a rate reduction is applied rather than a percentage reduction. This method meets the proviso requirement for the reductions to be applied uniformly, and it better reflects how agencies will be affected by the service agency billings. The Legislature included some service reductions that have not traditionally been included as revolving fund charges. Funding for these services is in agency base budgets. Agencies should not expect to be able to track every change back to a specific funding level provided in the biennial appropriation bill.

Please keep in mind that amounts budgeted for revolving fund charges are estimates and actual billings will vary depending on usage and other factors. Agencies need to pay the amounts billed regardless of the amount assumed in their budget for that charge.